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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 007353

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SUBJECT: MIDDLE EAST SCHOLAR DISCUSSES CHINA'S CONCERNS
OVER IRAN AND RELUCTANCE TO ENGAGE HAMAS

REF: A. FBIS 20060407455001

[1](#)B. BEIJING 5077

Classified By: Political Section Deputy Robert
Griffiths. Reasons 1.4 (b/d).

Summary

[1](#)1. (C) Beijing believes that military conflict involving Iran would severely threaten China's oil imports from the region, according to prominent Middle East scholar Yin Gang. Chinese Government officials are frustrated with President Ahmadinejad because he fails to accept the possibility of an attack on Iran if Iran does not comply with the international community's demands to halt its nuclear program. China sees that in a war involving Iran it would be a loser, and Russia a winner, because of the inevitable rise in oil prices. The Iranian populace is slowly beginning to cast doubt on the value of the country's pursuit of a nuclear program, which some clerics fear could spark a popular backlash against the regime. China is treading carefully with regards to engagement with the Hamas-led Palestinian Authority and will likely follow the lead of other countries in developing relations with the new Palestinian leadership. End Summary.

War with Iran could Severely Damage PRC Economy

[1](#)2. (C) Beijing understands that with an attack on Iran over the nuclear issue China would be a "loser" because of the likely damage to China's economic development, Chinese Academy of Social Sciences (CASS) Institute of West Asian and African Studies scholar Yin Gang told poloff on April 10. (Note: Yin is a leading academic voice on Mid-east issues and has published several essays on the Iran issue in the MFA-affiliated World Affairs magazine, including ref A. End Note.) Although China would not participate in any military action, a war involving Iran would disrupt China's energy imports from the Middle East and the Gulf region, resulting in high oil prices and a stagnation or even decline in Chinese economy, which cannot sustain growth with oil prices over USD 100/barrel. Although Beijing and Moscow are currently taking similar positions on the Iranian nuclear issue, energy abundant Russia would be the ?winner? in the

case of a limited war, benefiting from a rise in global oil prices, Yin asserted. China, Japan and South Korea are major consumers of Gulf oil, but none of Russia's oil exports pass through the Straits of Hormuz, which would very likely be blocked during a conflict with Iran.

China Offers Suggestions, but Iran Not Listening

¶3. (C) China is extremely concerned over the potential for the Iranian nuclear issue to spark a military conflict but has so far only concentrated on tactics that could delay, not prevent, an attack, Yin said. In meetings with Iranian representatives, Chinese officials have suggested that Tehran take into account the long-term interests of its country, people and government. The Iranian leadership, however, seems not to accept the possibility that the international community would support an attack on Iran if it does not comply with demands to halt its nuclear program. Iranian officials presume the United States is reluctant to launch a war because it needs Tehran's assistance in stabilizing Iraq, according to Yin. It is also his understanding that Tehran will not accept Moscow's proposal for Iran's nuclear program.

¶4. (C) Many Chinese Government officials privately refer to President Ahmadinejad as "crazy" and much preferred former President Khatami, Yin said. Yin met Iranian Presidential Envoy Mohammad Larijani at a function at the MFA-affiliated China Institute of International Studies (CIIS) during Larijani's March

BEIJING 00007353 002 OF 002

14-16 visit to Beijing, and was aware that Larijani carried a letter from Ahmadinejad intended for President Hu Jintao. According to an Iranian Embassy official, the letter did not contain any new messages, Yin stated, remarking that Larijani's visit was "useless." Note: According to MFA officials involved in Larijani's visit, Larijani did not deliver a letter for Hu Jintao (Ref B).

Iranian People Slowly Turning against Nuclear Plan

¶5. (C) Yin believes that the Iranian populace is gradually beginning to cast doubt on the value of President Ahmadinejad's stubborn pursuit of a nuclear program. While the Iranian Government had initially rallied popular backing for the development of a domestic nuclear energy program by eliciting nationalist sentiment, the Iranian people generally do not support the development of nuclear weapons. Ahmadinejad has so far failed to promote desired economic reforms, and Iran's citizens are slowly realizing that the president's nuclear plan will not serve the people's economic and other interests. Many Iranian people dislike the current Islamic theocracy, Yin remarked, citing observations by Chinese businessmen operating in Iran. Some Iranian clerics, therefore, fear that Ahmadinejad's insistence on pursuing nuclear development to the detriment of national interests could bolster dissatisfaction with the regime and ultimately threaten the Islamic clerics' monopoly on power. Therefore, certain voices within the religious leadership are calling on Ahmadinejad to take a softer line on the nuclear issue, Yin maintained, adding that he believes Ahmadinejad is now facing an internal struggle.

China Treads Carefully with Hamas

16. (C) Turning to the recent Hamas electoral victory, Yin said that Hamas Foreign Minister Zahar requested a visit to China but Beijing declined his request. China is taking an extremely careful approach toward its interaction with Hamas. China does not want to appear taking the lead in engaging Hamas out of concern over offending the international community as well as Arab nations, many of which distrust Hamas due to its links to the Muslim Brotherhood. Moreover, China has a special relationship with the Fatah Party, and Chinese foreign affairs officials and scholars are uncertain whether the Hamas-led Palestinian Authority will last more than one year. Beijing is therefore taking a "wait and see" approach and will likely follow the lead of other countries in developing ties with the Hamas-dominated government. Yin remarked that while China wishes to become more involved in the Middle East Peace Process, such involvement is not likely to be welcomed due to the Quartet's reluctance to allow China to expand its influence in the region and because Beijing is unwilling to make any significant financial contribution. China provides only approximately half a million dollars per year in aid to Palestine.

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